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Fat Tuesday for Disaster Profiteers

By Ruth Conniff

February 27, 2006

As a depleted population struggled to celebrate Mardi Gras in New Orleans, new reports emerged about corporate cronyism and disaster profiteering under the Bush Administration.

"Six months after Hurricane Katrina battered the Gulf Coast, government contracts have gone to politically connected corporations with track records of fraud and violations of worker rights," says a report by the [Gulf Coast Commission on Reconstruction Equity](#).

"The Gulf Coast has been besieged by large corporate profiteers, while many workers don't even receive their wages," said the Reverend Nelson Johnson, president of Interfaith Worker Justice.

At the same time Johnson's group was calling its press conference on the damage done by cronyism in New Orleans, the New York Times reported that the Army has decided to pay Halliburton nearly all \$2.41 billion in disputed costs on its controversial no-bid contract to rebuild Iraq. The Army is paying the bill "even though the Pentagon's own auditors had identified more than \$250 million in charges as potentially excessive or unjustified," the Times reports.

The Bush Administration seems to be applying the same wasteful, crony-capitalist model in both Iraq and New Orleans.

In Iraq, the Times reports that fuel transportation costs under the no-bid contract with Halliburton subsidiary Kellogg Brown & Root were triple what other companies charged to do the same job. And Kellogg Brown & Root was charging

Author Ruth

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Ruth Conniff covers national

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40 percent more for a gallon of gas than what the military paid when it bypassed the subcontractor and got the fuel for itself.

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Still, the Army is paying all but 3.8 percent of the disputed amount of Halliburton's bill. The Times analysis shows just how irregular that decision is. In recent years , the military has withheld between 56 and 75 percent of payments questioned by auditors.

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Could it be that the company's relationship with former Halliburton chief executive Vice President Dick Cheney helped grease the wheels?

As Representative Henry Waxman, Democrat of California, put it: "Halliburton gouged the taxpayer, government auditors caught the company red-handed, yet the Pentagon ignored the auditors and paid Halliburton hundreds of millions of dollars and a huge bonus."

Forget Dubais Ports International. Americans should be worrying about what the Bush Administration's corporate buddies are doing with their noncompetitive government contracts.

In New Orleans, "Of more than 700 FEMA contracts valued at \$500,000 or greater, more than half were awarded without competition, often to politically connected companies such as Bechtel Corp. and AshBritt Inc.," according to a February 13 Associated Press story in the [San Diego Union Tribune](#). "Audits of those no-bid contracts are under way."

Recall that one of the President's first acts in response to Hurricane Katrina was to attempt to roll back prevailing-wage laws so that contractors could underpay workers in the relief effort. Then the Administration suspended OSHA safety standards.

Interfaith Worker Justice points out that the \$29 billion in spending Congress OK'd for Katrina relief in December is offset by budget cuts that affect Katrina's victims. Medicaid cutbacks are just one example. Another is, incredibly, \$23.4 billion cut from the FEMA Disaster Relief Fund. And 20 percent of Katrina relief funds are allocated for the military. "This is particularly questionable when no public discussion or planning has occurred about whether military facilities in the Gulf should be rebuilt, and while funding for community development is insufficient," the group reports.

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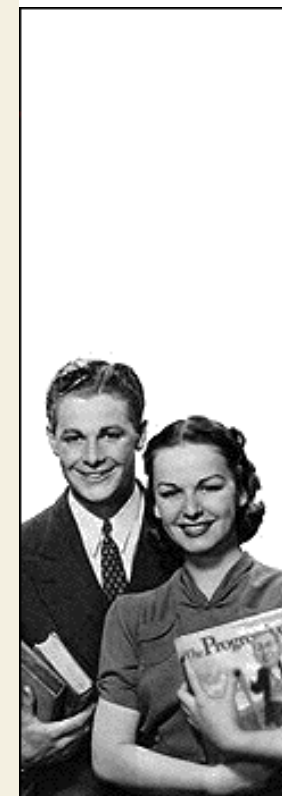
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A generation ago, military contractors' \$800 toilet seats were a national scandal. Today, the government is spending millions on no-bid contracts for politically connected companies who are profiting from the misery of people the Bush Administration has let down. Halliburton and Bechtel may be doing a heck of a job for stockholders like the Cheneys, but they are robbing the rest of us. The pattern should, by now, be amply clear.

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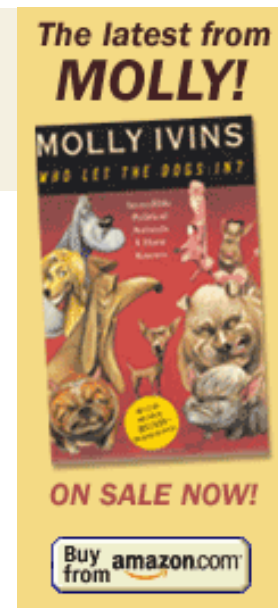
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Last updated, February 28, 2006

Gulf Coast Commission on Reconstruction Equity calls for Fair Contracting, Enforcement of Worker Health and Safety Protections, Career Ladders and First Source Jobs and Contracting

Interfaith Worker Justice, in partnership with Good Jobs First, convened the Gulf Coast Commission on Reconstruction Equity, whose mission is to shine a light on our government's contracting and rebuilding efforts and call for desperately needed reforms. The Commission is:

- Evaluating the Gulf Coast clean-up and rebuilding contracts and promoting ethical contracting standards and incentive packages including hiring local and minority contractors.
- Promoting strong labor standards, including enforcing prevailing wage, overtime, and health and safety laws.
- Supporting public policy options for fast-track job training and apprenticeships, first source hiring and housing for people displaced and disenfranchised by hurricanes Katrina, Rita and Wilma.

On Tuesday, February 28, 2006—six months after Hurricane Katrina and with Mardi Gras being celebrated in the battered city of New Orleans—Interfaith Worker Justice and the Gulf Coast Commission on Reconstruction Equity released a [Report Card](#) grading the government's effort to rebuild the region. The [Report Card](#) and [accompanying report](#) analyzes two main government functions: awarding federal cleanup and rebuilding contracts, and enforcing existing laws, particularly wage and hour rules and worker health and safety regulations.

Companies with histories of contract fraud and violations of

labor and environmental laws were awarded contracts worth hundreds of millions of dollars, while many employers currently operating in the Gulf are even guilty of failing to pay workers.

[NEW– Gulf Coast Commission on Reconstruction Equity Report Card](#) (02/28/06) [PDF]

[NEW–Good Work and Fair Contracts: Making Gulf Coast Reconstruction Work for Local Residents and Businesses](#) full report (02/28/06) [PDF]



This research was funded by the Annie E. Casey Foundation. We thank them for their support but acknowledge that the findings and conclusions presented in this report are those of the author(s) alone, and do not necessarily reflect the opinions of the Foundation.

HOW DOES OUR FEDERAL GOVERNMENT MAKE THE GRADE?	
President George W. Bush Failed to develop a comprehensive rebuilding plan and waived worker protection regulations.	F
Congress Did not pass legislation making the contracting process transparent and accountable.	C-
Department of Justice (DOJ) Failed to prosecute corporate lawbreakers.	F
Department of Labor (DOL)/Occupational Safety & Health Administration (OSHA) Failed to enforce worker health and safety requirements.	F
Department of Labor (DOL)/Wage & Hour Division (WHD) Failed to enforce wage and hour violations.	F
Department of Homeland Security (DHS)/Federal Emergency Management Agency (FEMA) Failed to let contracts ethically – creating massive chaos, waste, fraud, and cronyism.	F
Department of Defense (DOD)/Army Corps of Engineers (ACE) Failed to let contracts ethically – rewarding cronyism, not merit.	F
Environmental Protection Agency (EPA) Did not order cleanup of environmental hazards and toxins.	D
Housing & Urban Development (HUD) Did not direct community development funds to poor people.	C

[Religious Leaders and Worker Advocates Investigate Contracting Abuses in the Gulf Coast](#) press release (02/14/06)

[Gulf Coast Commission on Reconstruction Equity Members list](#) (released 2/13, updated 02/20/06)

[Criteria for Assessing Efficacy of Contracts and Economic Development Subsidies In Gulf Coast Relief, Recovery, and Reconstruction](#) (released 2/13, updated 02/19/06)

[\\$29 Billion Appropriation for Gulf Coast Relief Provides No New Dollars](#) (02/13/06)

- [Line Item Budget \[PDF\]](#)
- [Chart of Hurricane Relief Spending \[PDF\]](#)
- [Chart of Hurricane Relief Spending by Department \[PDF\]](#)

[Contractors in New Orleans Allowed to Violate Worker Safety Standards](#) (02/13/06)

[Labor Standards and Oversight Lacking in Gulf Coast Rebuilding](#) (01/11/06; excerpted from the [January 2006 Faith Works](#))

Billions of dollars continue to be spent in a piece-meal approach to Gulf Coast clean up and reconstruction without any plan for comprehensive rebuilding and oversight. Nearly 250 hurricane-related bills were introduced in Congress while a patchwork of committees and subcommittees of the U.S. House and Senate continue to convene public hearings on various aspects of recovery. [[Click here to read more](#)]

[3 Options for Rebuilding the Gulf Coast](#)

[Background on Recommendations for an Ethical Reconstruction Commission](#)

[IWJ Renews Call for an Ethical Reconstruction Commission](#) (10/28/05)

Thank you to all who urged your members of Congress to restore Davis-Bacon requirements following the Gulf Coast storms.

Bowing to pressure, President Bush reversed his earlier decision and restored "prevailing wage" protections for construction workers in hurricane-affected areas. [[Click here to read more](#)]

[Inter-Faith Groups and Survivors of Hurricane Katrina Want Fair Distribution of Jobs for Misplaced and Underemployed Workers from the Region](#) (9/23/05)

The rebuilding of the Gulf Region is an opportunity for those devastated by Hurricane Katrina to rebuild their lives. Unfortunately, those who were left behind in the evacuation of the Gulf Coast Region are being left behind again in the

rebuilding effort. [[Click here to read more](#)]

[Press Release](#) (9/23/05)

[Nelson Johnson Statement](#) (9/23/05)

[Kim Bobo Statement](#) (9/23/05)—Click here for an [audio file](#) of Kim's statement. (MP3, 2.4 MB)

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